

**To:** Jacqueline Balian[Jacqueline.Balian@ofgem.gov.uk]  
**From:** Christian Milhan  
**Sent:** 2014-11-28T08:40:14Z  
**Importance:** Normal  
**Subject:** RE: Official Sensitive: Extending CfDs to Northern Ireland and lessons learned from RHI  
**Received:** 2014-11-28T08:40:15Z

Good morning Jacqueline,  
Great – let's go for 9:30am on 2 December.  
I'll send an invite.  
Many thanks,  
Christian

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**From:** Jacqueline Balian  
**Sent:** 27 November 2014 17:51  
**To:** Christian Milhan  
**Subject:** RE: Official Sensitive: Extending CfDs to Northern Ireland and lessons learned from RHI

Hi Christian, very happy to meet up – I can do the following times:  
1<sup>st</sup> – 9.30-11 or 2-3.30  
2<sup>nd</sup> – 9.30-1 or 3.30-4.30  
3<sup>rd</sup> 10-11 or 12.30 onwards  
All the best  
Jacqueline

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**From:** Christian Milhan  
**Sent:** 27 November 2014 17:27  
**To:** Jacqueline Balian  
**Subject:** Official Sensitive: Extending CfDs to Northern Ireland and lessons learned from RHI

Hi Jacqueline,  
I hope you are well.  
Would you be free for a catch-up early next week? We're making progress with DECC on extending CfDs to Northern Ireland but I would like to talk to you about the true annual cost of the RHI. DECC want us to accept a proportional cost but I am mindful what you told me about that experience.  
Kind regards,  
Christian

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**From:** Jacqueline Balian  
**Sent:** 30 July 2014 09:49  
**To:** Christian Milhan  
**Cc:** Sujitra Krishnanandan  
**Subject:** RE: Extending CfDs to Northern Ireland and lessons learned from RHI

I do agree Christian except with

- **Funding:** While it was agreed that DETI would fund both development (including a nine month feasibility study) and on-going costs, this had been a painful exercise as DETI was not able to provide any robust estimates which lead to the costs being underestimated.

**This** implies that the fault lay with DETI which I don't think was entirely the case. True, DETI did not have robust estimates of market size or scheme size but neither did we and the underestimation of costs was caused in part by our not understanding the likely duplication of effort required to run to separate schemes, and by a failure to divine how quickly the two schemes would move apart in terms of their individual requirements becoming different. The real issue was that we did not set a clear charge for the operation phase up front. We should have provided an annual cost and stuck to it, instead we agreed to a fee based on the NI % of the GB scheme. Because we didn't know what % that would end up being, we had no clarity in advance of how much funding we had, and worse, the funding calculation we opted for (under pressure) was inappropriate. All things which could as well be laid at our door as DETIs so worth bearing in mind!

All the best  
Jacqueline

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**From:** Christian Milhan  
**Sent:** 30 July 2014 09:31  
**To:** Jacqueline Balian  
**Cc:** Sujitra Krishnanandan  
**Subject:** Extending CfDs to Northern Ireland and lessons learned from RHI

Hello Jacqueline  
Received from OFGEM on 25.05.2017  
Annotated by RHI Inquiry

Many thanks for the meeting yesterday on RHI NI, that was very useful. Just to confirm, we discussed:

- **Agreement:** The development and operation of RHI in Northern Ireland is based on a letter of agreement between DETI and Ofgem. This involved a significant amount of legal work to address independence issues for Ofgem. This included the complaint resolution process where the informal complaint stage is done in-house at Ofgem, while the formal review stage is done by DETI who have the possibility to overturn Ofgem's decision (independence issue).
- **Process:** NI specific characteristics, such as projects with grant funding are not eligible in NI but are in GB, lead to higher administrative resources for Ofgem. This includes having different administrative processes for GB and NI, i.e. monthly reporting, guidance documents, IT systems and data sharing agreements.
- **Funding:** While it was agreed that DETI would fund both development (including a nine month feasibility study) and on-going costs, this had been a painful exercise as DETI was not able to provide any robust estimates which lead to the costs being underestimated. Furthermore, it became apparent that DETI is keen to drive down costs due to its funding arrangements.

In summary, it is advisable to ask DECC for a robust CBA (which take account of the above higher than expected administrative costs) and agree with DECC on funding.

Let me know if you agree to the above.

Kind regards,  
Christian

**From:** Christian Milhan

**Sent:** 24 July 2014 15:28

**To:** Jacqueline Balian

**Cc:** Sujitra Krishnanandan

**Subject:** Extending CfDs to Northern Ireland and lessons learned from RHI

Hello Jacqueline,  
I hope you are well.

We (the EMR team) are currently in early discussions with DECC to extend the Contracts for Difference, the main element of the Electricity Market Reform to incentivise investment in low carbon electricity generation, to Northern Ireland by 2017.

We've had a useful discussion with Luke Hargreaves earlier today regarding the RO and would also like to speak to you about the process, agreements and funding you have in place for administering the RHI in Northern Ireland. Would you have 30mins tomorrow?

Kind regards,  
Christian

**From:** Christian Milhan

**Sent:** 24 July 2014 12:05

**To:** Luke Hargreaves

**Cc:** Sujitra Krishnanandan; John Wilson

**Subject:** Extending CfDs to Northern Ireland and lessons learned from low carbon schemes

Hi Luke,

Many thanks for the chat earlier – that was really helpful!

Here is the write up of the main points we discussed earlier – let me know if this accurate:

- Sujitra / John provided some background to DECC's initiative to extend CfDs to Northern Ireland from April 2016 or 2017. This implies that the roles of NGET as Delivery Body and Ofgem's roles (disputes, oversight of NGET, enforcement etc). The high level discussions with DECC are currently focussing on the legal vires and funding for both Ofgem and NGET. Other outstanding questions are how NI CfDs would be captured in the Levy Control Framework (LCF).
  - Luke provided some background to the **Renewables Obligation** which Ofgem administers on UKREGNI's behalf through a Agency Services Agreement (ALA), which also provides details on funding for Ofgem. The funding is recovered through the RO Buy-out Fund. Luke also mentioned that it would be worth contacting Jacqueline Balian to find out more about the operation, agreements and funding of **RHI in Northern Ireland**, as well as Stuart Stevens at the **Non-Fossil Purchasing Agency (NFPA)** to enquire about arrangements in NI (the NFFO is the predecessor of RO).
  - Luke also provided some background to the on-going discussions between DECC and DETI regarding the **ssFIT in NI**. DETI would like to include small scale generation up to 5MW (instead of 1MW) to mitigate the gap in support for projects sized between 1MW and 5MW when the RO closes. DECC seem not interested in this as this would require State Aid approval. Luke suggested contacting Tom Luff at DECC.

Kind regards,  
Christian

**Christian Milhan**

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E-mailed from OFGEM on 25.05.2017

Annotated by RHI Inquiry

